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COST ANALYSIS OF THE UNITED STATES MARINE CORPS (USMC) FEDERAL EMPLOYEES' COMPENSATION ACT (FECA) PROGRAM

by William Ma, Captain, USMC

BACKGROUND

Congress passed the nation's workers' compensation legislation in 1882. This legislation was a precursor to what is currently known as the Federal Employees' Compensation Act (FECA). Since being signed into law by President Wilson in 1916, the act has experienced numerous amendments. These amendments better safeguard the welfare of civil servant employees who sustain work-related injuries and/or illnesses. Today, the FECA provides workers' compensation benefits to approximately 14,400 civilian personnel employed on U. S. Marine Corps installations at an annual cost of approximately $19 million per year. This total includes the cost of providing medical care to treat work related injuries and/or illnesses. It also includes the cost of providing compensation payments to employees who experience losses in wage earning capacity due to their injuries.

In order to survive in today's fiscally constrained environment, it is necessary to examine the nature of USMC FECA Program costs in an attempt to discover ways to manage and reduce them. This study will identify the main cost drivers of the USMC FECA Program, provide an analysis of the FECA costs for major USMC installations and activities, and provide recommendations that could result in lower total FECA costs. The end result desired is to realize cost savings through lower total FECA costs.

FECA COSTS ANALYZED

The detailed cost data used for this analysis were obtained through the Naval Sea Systems Command (NAVSEA) FECAMIS database which is the depository for all DON FECA costs. For the period of 1 July 1999 through 30 June 2000, an analysis of the FECAMIS data revealed the following statistics:

- Five injury categories were responsible for approximately 71% of total FECA cases and 68% of total FECA costs. These five injury categories (in order of frequency of occurrence) are as follows:

  1. Back strain.
  2. Multiple strains.
  3. Traumatic injury or disability (and incident) – other.
  4. Contusion: bruise, abrasion.
  5. Laceration: cut.

- The majority of FECA benefits are paid to cases greater than one year old.

  - Fifty-eight percent of all FECA cases are greater than one year old.
  - Ninety-four percent of total FECA costs are paid to cases greater than one year old.
  - The oldest active FECA case had an injury date of 21 March 1961 and this claimant received $22,279 in compensation payments during the study period.

USMC FECA COST BREAKDOWN

The Marine Corps FECA Program is decentralized and requires each Marine Corps installation/activity to manage its own local FECA program. Because of this

Continued on page 22

USMC FECA Program continued from page 21

arrangement, total FECA costs were traced to each of the following major installations and activity groups that share similar missions. The intent of this grouping was to provide useful information for FECA Program Managers across the Marine Corps:

- Headquarters Marine Corps and Other Activities
- Marine Corps Training Commands
- Marine Corps Base (MCB) Camp Pendleton
- MCB Camp Lejeune
- Marine Corps Air Ground Combat Center (MCAGCC) Twenty-nine Palms
- Marine Corps Bases Japan
- MCB Hawaii
- West Coast/OCONUS (Iwakuni/Futenma) Air Stations
- East Coast Air Stations
- Marine Corps Recruiting Command
- Marine Corps Materiel Command

Tracing all cases and costs for one year to each of the groups made it possible to compare various FECA Programs across the Marine Corps. This also allowed FECA Program Managers to benchmark FECA costs against activities with similar missions. Table 1 illustrates the groups in order of total FECA costs.

Table 1.—Activity/installation rankings in order of total actual FECA costs

1 July 99 - 30 June 00

Rank	Activity / Installation	% of Total Costs	$	Cases
1	Materiel Command	25.2%	$4,831,301	627
2	MCB Camp Pendleton	17.8%	$3,406,154	395
3	MCB Camp Lejeune	17.0%	$3,256,753	442
4	East Coast Air Stations	16.2%	$3,095,433	301
5	Marine Corps Training Commands	10.8%	$2,071,459	276
6	West Coast/OCONUS (Iwakuni/Futenma) Air Stations	6.4%	$1,232,577	134
7	MCAGCC Twentynine Palms	3.1%	$599,583	76
8	MCB Hawaii	1.8%	$340,493	74
9	Headquarters Marine Corps and Other Activities	1.3%	$246,277	57
10	Marine Corps Recruiting Command	0.4%	$67,594	10
11	Marine Corps Bases Japan	0.1%	$19,733	5
Totals =		**100.1%**	**$19,167,357**	**2,397**

After tracing total FECA cases and costs to each group, the cases were broken down by case age. Table 2 illustrates the case age distribution for all the cases studied.

Continued on page 23

USMC FECA Program continued from page 22

Table 2.—Case age distribution

	<1 year		1-5 years		6-10 years		11-20 years		20+ years	
Activity	Cases	Costs	Cases	Costs	Cases	Costs	Cases	Costs	Cases	Costs
HQMC/Others	25	$4,807	20	$102,952	6	$57,428	5	$80,583	1	$506.00
Training Cmds	102	$65,363	98	$623,035	19	$222,201	29	$640,837	28	$520,022.00
MCB CPEN	168	$103,904	104	$810,111	28	$460,852	69	$1,341,950	26	$689,337.00
MCB CLNC	219	$204,207	108	$667,762	46	$841,920	43	$1,006,515	26	$536,349.00
29 Palms	33	$44,375	22	$266,558	6	$96,080	12	$167,354	3	$25,216.00
MC Bases Japan	2	$0	3	$19,733	0	$0	0	$0	0	$0.00
MCB Hawaii	30	$5,535	25	$41,975	5	$47,268	8	$164,393	6	$81,322.00
West Air Stations	49	$22,880	39	$155,615	5	$120,723	25	$610,580	16	$322,780.00
East Air Stations	113	$260,712	81	$760,333	26	$458,887	37	$683,564	44	$931,938.00
Recruiting Cmd	3	$401	4	$12,081	2	$35,522	1	$19,591	0	$0.00
MATCOM	262	$415,967	230	$1,690,555	40	$455,279	59	$1,392,602	36	$876,900.00
Totals:	**1,006**	**$1,128,151**	**734**	**$5,150,710**	**183**	**$2,796,160**	**288**	**$6,107,969**	**186**	**$3,984,370.00**

RECOMMENDATIONS

The following case and cost reduction recommendations were developed to target the significant cost drivers identified in this analysis. These recommendations include injury prevention measures, dedicated staffing, mandatory light duty and return to work programs, and diligent older case management.

INJURY PREVENTION MEASURES

The implementation of injury prevention measures is the only long-term solution to containing FECA Program costs. Prevention of injuries reduces the chance for claimants to become long-term recipients of medical care and compensation benefits.

The data provided by the FECAMIS database identified five injury categories that were responsible for 71% of total Compensation Billing Year (CBY) 00 FECA costs and 68% of total CBY 00 cases. Note that these top five injuries may be similar in type across each of the groups, but they may have been caused by different sets of circumstances. Employees perform different tasks in different work environments. These circumstances require FECA Program Managers and Occupational Safety and Health representatives of similar activities (example: air stations, depot maintenance activities, major bases) to join efforts in developing safety policies and procedures aimed at reducing the occurrence of the these injuries.

DEDICATED STAFFING

Currently, the Marine Corps employs 15 field FECA Program Managers where only two activities enjoy the benefits of having dedicated (not collateral duty) personnel to manage active FECA cases. These two activities are MCB Camp Pendleton and MCAS Miramar. An analysis of the FECAMIS data between the years of 1996 and 2000 shows that MCB Camp Pendleton reduced its FECA costs by 24.1%. These data also show that total FECA costs decreased for air stations located on the West coast and in Japan by 32.7% over the same period. As MCAS Miramar is the largest of the West coast and overseas air stations, it possesses the greatest potential to affect the totals of the groups. Although a clear cause and effect relationship cannot be proven with 100% assurance, the results are compelling. Taking into consideration the results of MCB Camp Pendleton and air stations located on the West coast and in Japan, it is recommended that other FECA Programs employ full time managers as well.

Continued on page 24

USMC FECA Program continued from page 23

MANDATORY LIGHT DUTY AND RETURN TO WORK PROGRAMS

It should be made mandatory for supervisors who have injured workers drawing compensation benefits to investigate the possibility of some type of light duty position for the injured workers to fill. If a physician determines that an employee is capable of fulfilling a limited duty position, a job must be offered to that employee. Currently, only 128 personnel drawing FECA benefits have returned to work in a limited/light duty capacity. The benefit of such action is not paying two people to perform one job.

When an employee gets injured and is entitled to compensation benefits under the FECA, the responsible activity is charged for the amount of compensation. The responsible activity may also have to hire another individual to perform the tasks the injured employee once performed. In this instance, the activity not only provides compensation benefits to the injured employee, it also pays someone else to perform the work. Should the injured employee be offered a limited duty position, the activity benefits from work conducted by the employee, rather than allowing the employee to draw compensation benefits with no associated productivity. This may also free up an existing employee to perform the injured employee's previous tasks or allow other employees to focus their attention on different tasks. In the event an employee rejects a job offer, his/her benefits may be terminated according to section 8106 of the FECA Statute. Section 8106 states that a partially disabled employee who refuses to seek suitable work or who refuses work after suitable work is offered, is not entitled to compensation.

In order for a limited/light duty program such as this to work, FECA Program Managers must coordinate their efforts with Civilian Human Resources Offices to determine what openings are available that the injured employee(s) can fill. When a position is identified, FECA Program Managers must communicate to the injured employee and to the attending physician(s) that a limited duty position is available and that it is expected that the injured employee fill this position when medically qualified. A task description of the limited duty position should also be presented to the attending physician(s) to allow him/her to make a more informed decision to determine how soon the injured employee will be able to return to work.

The DoD has established a goal of at least two percent representation of persons with targeted disabilities in the workforce. These targeted disabilities are deafness, blindness, missing extremities, partial paralysis, complete paralysis, convulsive disorders, mental retardation, mental illness, and distortion of limbs and/or spine. Offering jobs to claimants drawing FECA benefits who experience any one of these targeted disabilities not only reduces the Marine Corps' total FECA costs, it helps the Marine Corps achieve the DoD's two percent goal as well. The end result is lower FECA costs and higher productivity.

DILIGENCE IN OLDER CASE MANAGEMENT

Table 2 illustrates that most USMC FECA costs occur from older cases, therefore, the greatest immediate savings would come from closing cases greater than one year old. The correlation between total costs and case age is due to the fact that older cases consist primarily of compensation payments, whereas, costs for cases less than one year in age primarily consist of initial medical treatment. On average, compensation payments accounted for 77.2% of total FECA costs over the past five years. The oldest active case has an injury date of 21 March 1961 and that claimant received $22,279.06 in compensation payments in CBY 00.

Continued on page 25

USMC FECA Program continued from page 24

A study conducted on the Tobyhanna Army Depot FECA Program revealed that the case managers for that activity successfully removed 40.5% of claimants from their long-term rolls through "intensive case management." In light of this finding, diligent management of older cases may result in substantial cost saving. To close older cases, the efforts of USMC FECA Program Managers should focus on (1) periodically confirming the medical/disability status of long-term claimants, (2) requesting second opinions, (3) coordinating the availability of jobs within the claimants' ability levels, and (4) ensuring that claimants able to attend vocational rehabilitation attend and complete the training. This recommendation also requires dedicated FECA Program Managers.

AREAS FOR ADDITIONAL RESEARCH

Another aspect of diligent case management is fraud detection. Though not included in this study, it deserves further consideration as an area for follow-on research. Currently, three Marine Corps Activities employ full-time FECA fraud investigators and believe that this action has resulted in significant savings and cost avoidance. Marine Corps Air Station Cherry Point has requested that a fraud investigation program be funded and implemented Marine Corps-wide.

Another area for follow-on research is to analyze the management of the Marine Corps' Nonappropriated Fund (NAF) Workers' Compensation Program. The NAF Workers' Compensation Program employs third party case managers to assist in its case management efforts and has experienced positive results by doing so. Quantifying these savings through a cost benefit analysis would provide the Marine Corps with another alternative to reduce its total FECA costs if the results of the study is positive. Throughout the Marine Corps, policies are also being proposed to allow for the sharing of light duty job positions between NAF and appropriated fund (APF) activities. These policies would complement "return to work" and "limited duty" programs by increasing the number of available light duty positions as civil service employees would be allowed to cross the line between NAF and APF activities. For example, disabled or partially disabled employees previously employed by APF activities could be offered positions at NAF activities and the reverse.

POTENTIAL SAVINGS

The recommendations presented in this section all have the potential to significantly reduce total FECA Program costs. The degree of effectiveness depends on the level of command support behind any or all of these recommendations. That support may be in the form of base orders, establishing injury prevention and return to work programs, and/or increases in FECA program resources (additional or full time FECA Program Manager positions). Base orders will increase the awareness of civilian employees' supervisors to the FECA program and its associated costs. Injury prevention programs could reduce the number injuries occurring on the respective installation. Return to work programs could reduce FECA costs and increase productivity in the workplace. Hiring additional program managers or converting existing positions to full time positions would allow managers to dedicate more time to managing existing and new cases.

Table 3 illustrates a potential cost saving scenario if Marine Corps case managers successfully removed and closed 40.5% of the cases from their long-term rolls over five years:

Continued on page 26

USMC FECA Program continued from page 25

Table 3.—Potential cost saving scenario

Dedicated staffing/diligent case management resulting in case reduction and/or returning claimants to work in limited duty capacities:	
40.5%[1] * $17.4 million [2] =	**~$7.0 million**
Less: Cost of 7 additional case managers: **$60,000 * 7 * 5 yrs =**	**~$2.1 million**
Total projected cost savings =	**~$4.9 million**

[1] Using the 40.5% case reduction realized by the Tobyhanna Army Depot.
[2] Approximate FECA cost of cases >1 year ($18.1 million) less compensation payments made to surviving dependents of deceased employees.

By including cost avoidance, the total net projected savings and costs avoided over the five-year period is $20.1 million.

Table 4.—Total cumulative net savings/cost avoidance in five years

	2002	2003	2004	2005	2006		
- Annual Savings (%)	9.71%	9.71%	9.71%	9.71%	9.71%		
Beg of Yr Total	$17,400,000	$15,710,460	$14,184,974	$12,807,613	$11,563,994		
End of Yr Total	$15,710,460	$14,184,974	$12,807,613	$11,563,994	$10,441,130		
- Costs saved during CBY	$1,689,540	$1,525,486	$1,377,361	$1,243,619	$1,122,864		
						x5 yrs	$8,447,700
- Cumulative cost avoidance over 5 years						x4 yrs	$6,101,943
						x3 yrs	$4,132,083
						x2 yrs	$2,487,239
							$1,122,864
- Less cost of 7 add'l case managers @ $60K/yr ea	$ (420,000)	$ (420,000)	$ (420,000)	$ (420,000)	$ (420,000)		$(2,100,000)
Total cumulative net savings/cost avoidance =							**$20,191,829**

Table 4 illustrates the cumulative net savings and cost avoidance of $20.2 million is approximately 104.6% of the Marine Corps total CBY 00 FECA costs. Taking 104.6% of CBY 00 FECA costs for both the Department of the Navy (DON) and the Department of Defense (DoD), the projected cost savings and avoidance are as follows:

- 104.6% of CBY 00 DON costs of $241.6 million = $253 million in projected savings/cost avoidance for the DON.

- 104.6% of CBY 00 DoD costs of $601.5 million = $629 million in projected savings/cost avoidance for the DoD.

Continued on page 27

USMC FECA Program continued from page 26

SUMMARY OF RESEARCH

This research was intended to provide useful information to the Marine Corps and its major installations and activities regarding the main cost drivers of the USMC FECA Program. Recommendations were formulated based on the findings of this research and when applied by FECA Program Managers across the Marine Corps, could result in substantial cost savings. Command support, injury prevention measures, mandatory return to work programs, aggressive case management, and dedicated staffing are the requirements necessary for an effective FECA Program. The program aims at minimizing total FECA Program costs. Although lofty assumptions were made regarding the removal and closure of older cases in the calculation of projected savings and cost avoidance, the assumptions were made to stress the importance of paying greater attention to the management of FECA Programs across the Marine Corps. Should the DON and the DoD also realize a 40% decrease in older cases, it is plausible to assume that the savings and cost avoidance could be as great (percentage wise) as those projected for the Marine Corps. §

THE COST EFFECTIVENESS OF WEST COAST DISTRIBUTED SIMULATION TRAINING FOR PACIFIC FLEET

by Blane T. Shearon, LT, US Navy

BACKGROUND

Emerging technologies are changing the way the Navy trains its people. The Director of Naval Training (N7) has stated that the Navy needs to incorporate more new technology into the way the Navy trains its Sailors. New technology and training techniques will become increasingly important as crew size shrink on future surface combat ships. Smaller crews will rely on technology and shore-based training commands to prepare them for continually changing operations.

To prepare for the future and incorporate new technology in its training plans, Navy leadership must evaluate the different available technologies. Leaders must determine which systems and training methods provide the best economic return on investment while improving the learning process. Once this analysis has been completed, the training community must plan, program, and budget properly to apply these technologies. Trainers should ensure the fleet receives the required quality of training. The ultimate challenge is to maximize the Fleet training opportunities by effectively using ship crew time.

Both the Commander in Chief of the Pacific Fleet (CINCPACFLT) and the Commander in Chief of the Atlantic Fleet (CINCLANTFLT) have stated that the use of organic training devices such as the Battle Force Technical Training (BFTT) System provide an excellent opportunity to satisfy train-

Continued on page 28